

July 14, 2020

The regular meeting of the Council of the City of Martinsville, Virginia was held on July 14, 2020 in Council Chambers, Municipal Building, at 7:30 PM with Mayor Kathy Lawson presiding. Other Council Members present included Jim Woods, Danny Turner, Jennifer Bowles and Chad Martin. Staff present included City Manager Leon Towarnicki, Assistant City Manager/City Attorney Eric Monday, Finance Director Linda Conover, Assistant Finance Director Mandy McGhee, Utilities Director Durwin Joyce and Deputy Police Chief Rob Fincher.

Mayor Lawson called the meeting to order and advised Council would go into Closed Session beginning at 7:00PM. In accordance with the Code of Virginia, Title 2.2, Chapter 37 Freedom of Information Act, Section 2.2-3711 (A) Code of Virginia (1950, and as amended) and upon a motion by Council Member Woods and seconded by Council Member Bowles with the following 5-0 recorded vote: Vice Mayor Martin, aye; Council Member Turner, aye; Council Member Bowles, aye; Council Member Woods, aye; and Mayor Lawson, aye. Council convened in Closed Session to discuss the following matters: (A) Consultation with legal counsel (regarding municipal reversion with no legal action) and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7. At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during the A motion was made by Council Member Bowles; seconded by Council Member Woods, with the following 5-0 recorded vote in favor to return to Open Session: Mayor Lawson, aye; Vice Mayor Martin, aye; Council Member Bowles, aye; Council Member Turner, aye; and Council Member Woods, aye.

Mayor Lawson called the meeting to order. Following the Pledge to the American Flag and invocation by Council Member Bowles, Lawson welcomed everyone to the meeting. Lawson explained that the meeting would follow COVID guidelines and recognizing social distancing recommendations.

Approve minutes for the June 9, 2020 Council Meeting and the June 23, 2020 Council Meeting – Council Member Woods made a motion to approve the minutes as presented. Council Member Bowles seconded the motion with all Council Members voting in favor.

Consider information related to an energy storage project for the City of Martinsville – City Manager Towarnicki explained that both item 2 (energy storage) and item 3 (solar) on the agenda will be rolled into the same presentation. Garrett Cole, Consultant for GDS Associates, Inc. presented a PowerPoint related to the solar and energy storage projects. There is no financial cost or risk to the City on the energy storage project. In addition to the annual site lease payment, the potential savings to the City over 10 years is expected to be between \$3 to \$6 million. The life of the project is generally 10 years. Council Member Bowles made the

motion to approve the project and authorize staff to execute documents related to the City's participation. Vice Mayor Martin seconded the motion with all of Council voting in favor.

AEP ONSITE
PARTNERS

An AEP Company


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Martinsville

A CITY WITHOUT LIMITS

Large Scale Energy Storage Partnership –
Update May 2019

Distributed Energy Solution



AEP OnSite Partners offer energy asset services nationwide.

BOUNDLESS ENERGY™

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- Updated Offer
- Projected Savings Examples
- Future of the PJM Market




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Host Benefits

Energy Storage




AEP ONSITE PARTNERS
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- Shared Savings & Revenue
 - PLC (Cap) & NSPL (Trans) Control & PJM Regulation D
 - 2 Hour Dispatch to capture reduction
 - 10MW/10MWh Battery
 - ~12MW of reduction
- Partnership Savings Flip
 - Martinsville 10% before flip**
 - Martinsville 50% after flip**
 - Flip occurs once all revenues, net ongoing costs, reach a certain lifetime project value
 - Anticipated flip will occur between year 4-6
- Potential 10 Year Savings & Revenue for Martinsville
 - ~\$3-\$6M dependent on market
 - \$20,000/yr guaranteed lease payment
 - No Capital/No Risk
 - No impact to operations

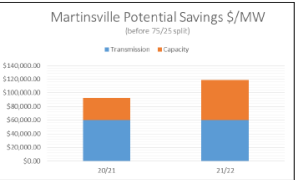
Base Case Value

Sharing 10% Pre Flip / 50% Post Flip




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- Estimated \$4.9M of value flowing to Martinsville over 10 year term
 - Fixed Payment: \$200k guaranteed over term
- Flip Estimated to Occur after Year 6
- Estimated Cash Flows Below



Martinsville Potential Savings \$/MWh
(Before 7/5/25 split)

This bar chart compares Transmission (blue) and Capacity (orange) savings for 2021 and 2022. In 2021, Capacity savings are approximately \$140,000/MWh and Transmission savings are approximately \$100,000/MWh. In 2022, Capacity savings are approximately \$110,000/MWh and Transmission savings are approximately \$100,000/MWh.



Reg D Price

This line chart shows the Reg D Price from 2018 to 2025. The price fluctuates significantly, with a major peak in 2022 reaching over \$100/MWh, followed by a sharp decline in 2023 and a projected recovery in 2024 and 2025.

Calendar Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Project Type	1	2	3	4	5	6	7	8	9	10	11	12	
Pre-Flip	\$1,425,300	\$1,396,164	\$1,363,196	\$1,330,134	\$1,306,117	\$1,214,939	\$1,191,120	\$1,044,161	\$1,010,109	\$942,111	\$0	\$0	\$12,177,209
Capex	\$0	\$113,484	\$381,323	\$351,641	\$317,544	\$303,823	\$291,899	\$280,817	\$271,430	\$261,183	\$252,270	\$252,270	\$3,007,795
Transmission	\$51,430	\$68,013	\$68,013	\$67,747	\$67,167	\$67,004	\$67,004	\$66,130	\$65,000	\$64,000	\$64,000	\$64,000	\$742,754
Operating Expenses	(\$170,000)	(\$171,000)	(\$172,000)	(\$174,000)	(\$175,700)	(\$177,200)	(\$178,833)	(\$180,400)	(\$182,000)	(\$183,600)	(\$185,200)	(\$186,800)	\$1,794,400
Net Cash Flow	\$1,306,730	\$1,145,660	\$1,053,883	\$1,038,792	\$1,020,673	\$966,912	\$952,895	\$897,081	\$882,609	\$858,509	\$848,000	\$848,000	\$8,442,769
Total Cash Flow for Sharing	\$1,155,730	\$1,234,363	\$1,024,883	\$1,146,895	\$1,146,895	\$1,099,008	\$1,099,008	\$1,099,008	\$1,099,008	\$1,099,008	\$1,099,008	\$1,099,008	\$10,990,008

Customer's Sharing Percentage	10%	50%	10%	50%	10%	50%	10%	50%	10%	50%	10%	50%	10%
Customer's Share of Dollars	\$117,674	\$228,130	\$222,428	\$224,904	\$219,830	\$226,008	\$440,040	\$960,130	\$921,694	\$938,738	\$448,120	\$436,974	\$4,366,974
Fixed Payment	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$2,000,000
Total Dollars to Customer	\$117,674	\$428,130	\$422,428	\$424,904	\$419,830	\$426,008	\$640,040	\$1,160,130	\$1,121,694	\$1,138,738	\$648,120	\$636,974	\$6,366,974

AEP's Sharing Percentage	10%	50%	10%	50%	10%	50%	10%	50%	10%	50%	10%	50%	10%
AEP's Share of Dollars	\$1,238,630	\$2,261,870	\$2,091,463	\$2,035,944	\$1,979,323	\$1,888,072	\$1,513,240	\$960,130	\$920,609	\$898,738	\$448,120	\$436,974	\$4,366,974
Capital Expenditures	\$113,484	\$381,323	\$351,641	\$317,544	\$303,823	\$291,899	\$280,817	\$271,430	\$261,183	\$252,270	\$252,270	\$252,270	\$3,007,795
Total Dollars to AEP	\$1,238,630	\$2,261,870	\$2,091,463	\$2,035,944	\$1,979,323	\$1,888,072	\$1,513,240	\$960,130	\$920,609	\$898,738	\$448,120	\$436,974	\$4,366,974

Customer's Sharing Dollars to AEP	10%	50%	10%	50%	10%	50%	10%	50%	
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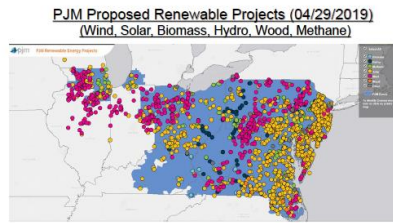
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Future Demand in PJM

Martinsville will Share in Future Value



- AEP OSP is making an investment in a Market we believe will produce future value
- PJM Ancillaries Demand
 - PJM Renewable Capacity Coming Online
 - Coal/Nuclear Retirements
 - FERC 841



BOUNDLESS ENERGY

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Martinsville Council Meeting – Generation Projects

July 2020



SUN TRIBE / SOL SYSTEMS SOLAR PROJECT



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What Are the Benefits of Distributed Generation in the PJM Market?



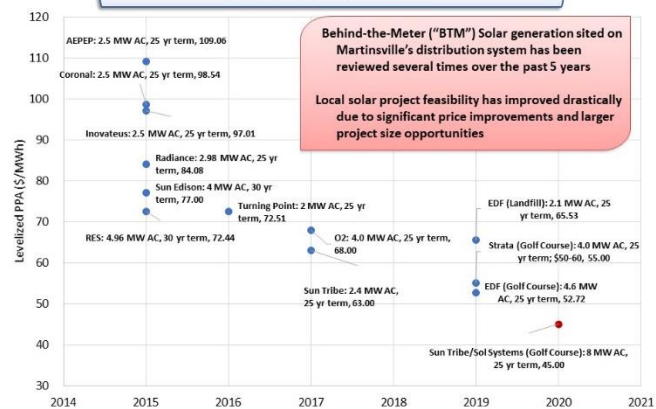
- Capacity & Transmission Cost Offsets**
- Peak shaving with distribution level generation reduces the peak billing determinants for the following year and associated costs
 - Transmission peaks are based on only **1 hour** occurring, in either Winter or Summer
 - Capacity peaks are based on **5 hours**, all occurring during Summer

- Other Benefits**
- Congestion Cost Offsets:** Distribution level generation is already delivered behind the substation meter, so there is no potential to incur hefty congestion premiums as there would be with hedges at various delivery locations
 - PJM Admin/Ancillary Service Offsets:** Distribution level generation avoids PJM admin and ancillary service fees
 - Local Presence:** Distribution level generation is local, which can provide social benefits in the form of positive publicity and customer approval



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Historic Martinsville Solar Opportunities Levelized Solar PPA Comparison



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Behind-The-Meter Generation Benefits

- Solar sited Behind-The-Meter ("BTM") on Martinsville's distribution system includes benefits in the value of avoided capacity, transmission and ancillary services costs as well as Solar Renewable Energy Credits ("SRECs")

Levelized Behind-the-Meter Offsets (Estimated)

Avoided Cost*	Golf Course
Capacity	\$14.58
Transmission	\$25.69
Ancillary	\$0.50
SREC	\$4.00
Total (\$/MWh)	\$44.77

- SREC sales into the PA Tier 1 market are available (~\$6/MWh)



*Assumes 25-year term NPV (\$/MWh) using a 3% discount rate

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Martinsville Solar RFP Timeline

- May 2019** – RFP issued on behalf of Martinsville and Central Virginia Electric Cooperative ("CVEC") as part of Blue Ridge Power Agency ("BRPA") joint involvement.
 - Solar Use Case: Provide renewable energy, while avoiding AEP transmission and PJM market capacity
- Jul 2019** – Received indicative bids from 26 developers for Stand-Alone Solar for supplier-selected sites
- Aug 2019** – Narrowed developer list to 14 preferred and experienced developers based on favorable pricing, experience, and high-level review of proposal and competency
- Oct-Dec 2019** – Declared short-listed of 6 developers based on qualitative and quantitative review, offered site visits, and received refreshed pricing
- Jan-Feb 2020** – Declared top 3 developers based on refreshed proposal and qualitative review, requested refreshed pricing based on technology specifications and key PPA contract terms
- Jun 2020** – Selection and Negotiation of PPA with Sun Tribe (Developer) / Sol Systems (Investor)

Key Project Details

	Solar
Size	8 MW
Term	25 Year
Site	Golf Course
COD	Q2 2021

Project Site Golf Course



Sun Tribe/Sol Systems - Golf Course Solar Project

PROJECT DETAILS

- Project Size:** 8.0 MW
- Proposed Year-One Gen:** 17,680 MWh
- Proposed Capacity Factor:** 25%
- Term:** 25 Years
- Annual Energy Hedge:** 10% of Martinsville's annual load requirements
- COD:** Guaranteed Q2, 2022
- Site Ownership:** Developer-owned
- Technology:** Bi-facial, single-axis
- SRECs:** City retains all environmental attributes
- Pricing:** \$45.00/MWh flat rate PPA with no annual escalation

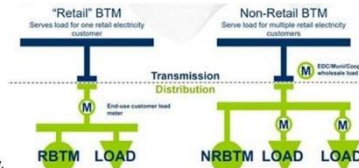


Regulatory Considerations: Behind-the-Meter Generation Limits

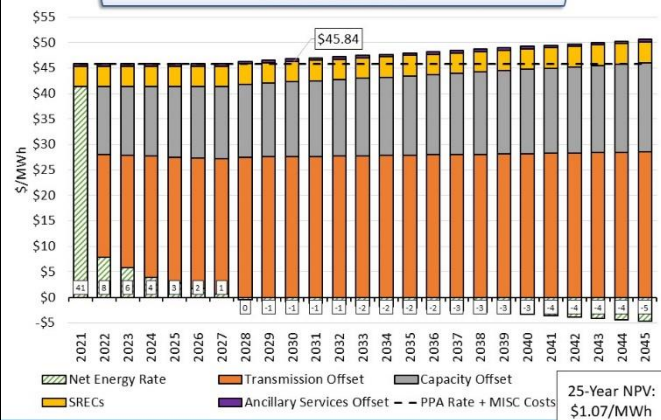
- PJM is reviewing the process and procedures for enforcing current Non-Retail Behind-the-Meter Generation ("NRBTMG") limits and thresholds.
- NRBTMG thresholds have been in place for years, however, there has been limited enforcement and reporting requirements
- In order to ensure NRBTMG benefits, behind-the-meter capacity should be installed and reported to PJM before the thresholds are reached

NRBTMG Statistics	
Current NRBTMG*	1,171 MW
Annual Threshold	2,051 MW
Total Cap	3,000 MW

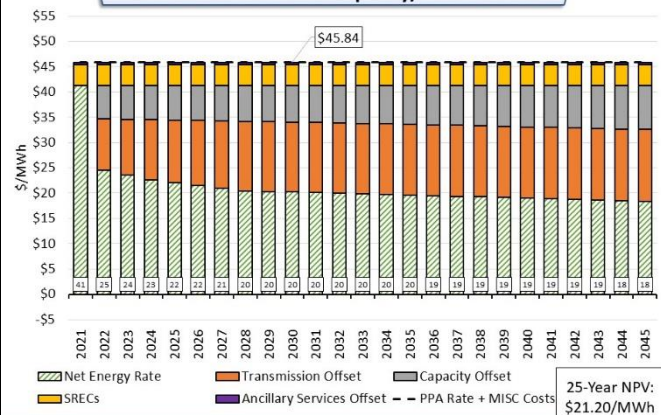
- If total cap is met, all further NRBTMG will not receive BTMG benefits (capacity, transmission, etc.)



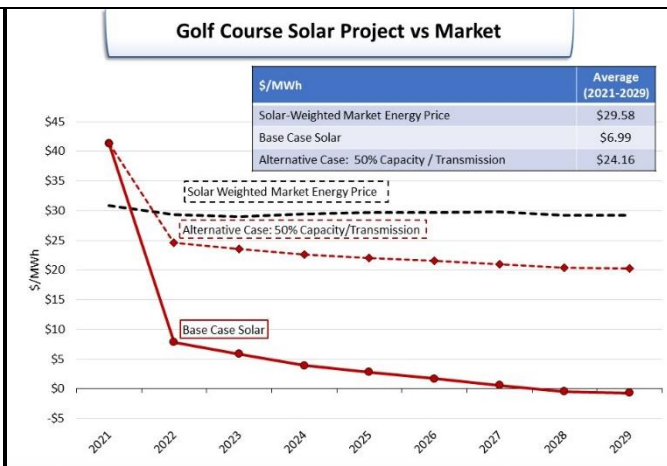
Sun Tribe/Sol Systems Solar Project Economics Base Case Solar



Sun Tribe/Sol System Solar Project Economics Alternative Case: 50% Capacity/Transmission



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Key PPA Terms

- In-Service Date:** Guaranteed COD by June 2022 (or penalties apply)
- Seller Security:**
 - Pre-COD: \$50,000/MW
 - Post-COD: \$30,000/MW
- Delay Damages:** \$2,000 Per Day (\$250 Per MW-Day)
- Performance Guaranty:** 90% annual average production, weather-adjusted
- Underperformance Penalty:** \$40/MWh
- Option to Extend:** After 25 year term, Martinsville has two 5-year options to extend term at 50% of the PPA price at their sole discretion
- Land Option:**
 - Although SunTribe/Sol Systems will purchase and own the Golf Course Property, Martinsville will have the right to access the property and build a battery storage/peaking project at a nominal land lease cost, if desired
 - Solar PPA price may adjust upwards by no more than \$0.32/MWh to cover Martinsville's share of cost responsibilities

AEP ONSITE PARTNERS

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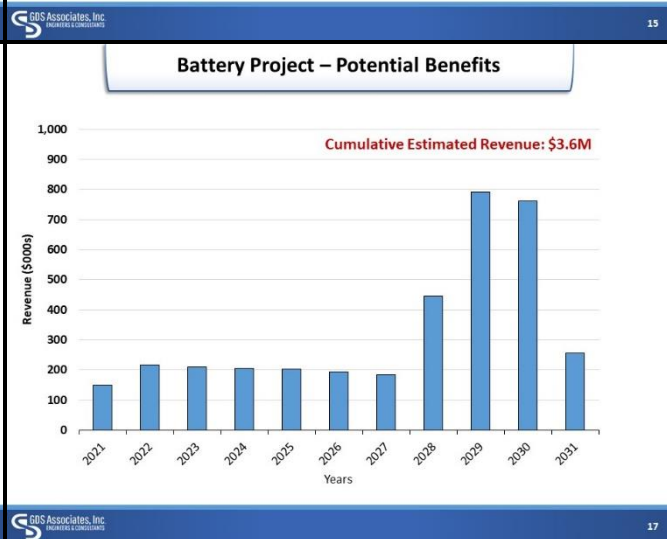
AEP SHARED BATTERY STORAGE PROJECT

AEP Shared Battery Storage Project

PROJECT DETAILS

- Project Size:** 9.0 MW
- Duration/Peak Shaving:** 1 Hour duration with an estimated peak shaving success rate of 80%
- Term:** 10 Years, beginning June 1, 2021
- Contract Terms:**
 - AEP handles 100% of battery costs
 - AEP/Martinsville share O&M responsibility, revenue stream optimized operation of unit
- Risk:** No expected cost risk to Martinsville in exchange for slice of benefits
 - Initially, Martinsville will receive 10% of project benefits. After capital costs are paid, AEP/Martinsville will share revenue streams evenly at 50% for each party.
- Advantages:** Allows Martinsville to:
 - Explore the use of battery storage without capital investment or commitment,
 - Understand the technology and uses, and
 - Take advantage of avoided capacity and transmission costs on a shared basis

	Martinsville's Responsibility
Battery Cost	0%
O&M Cost	10% for 4-6 years / 50% afterwards
Capacity Credit	10% for 4-6 years / 50% afterwards
Transmission Credit	10% for 4-6 years / 50% afterwards
Ancillary Credit	10% for 4-6 years / 50% afterwards
Regulation Credit	10% for 4-6 years / 50% afterwards



Consider information related to a solar energy project for the City of Martinsville

Decommissioning of the solar panels was a concern voiced by Council. Cole confirmed that the owner of the panels would be responsible for proper disposal of those. Council Member Turner shared concern that this project would be a bad investment, comparing it to the AMP Ohio contract. After considerable discussion, Council Member Woods made the motion to approve the project concept and authorize staff to execute documents related to the project. Vice Mayor Martin seconded the motion. Council Member Turner requested the motion be

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amended, asking that Council be given two weeks to review the contracts outside of a Closed setting before giving the authorization to move forward. City Manager Towarnicki explained that the contract has not been made public and was not available to be reviewed at tonight's meeting. Vice Mayor Martin asked City Attorney Monday if he had reviewed the contract, Monday confirmed that he had. Turner stated that Monday had reviewed the AMP Ohio contracts also and referenced to the City's financial situation in relation to that agreement. Monday explained that he reviewed the contracts from a legal standpoint. Garret Cole, Consultant for GDS said they are willing to move forward with the agreement now but if Council chose to hold off on a decision, then there will be no impact to the timeline originally stated. City Attorney Monday explained that there had been no discussion with the solar company on providing the contract to Council or to the public. Woods would not accept Turner's request to amend his motion and there was no second; Turner's motion to amend the original motion died due to lack of a second. Monday explained that as the customer purchasing the power, the City would need the provider's permission to release the contract for public review. Towarnicki explained the only thing in the contract that was not discussed tonight was the opportunity to purchase the system in 8 years. Bowles recommended an extended closed session to provide Council the opportunity to review the contract. Woods stated he does not feel Council would come to any other conclusion even if the contract was reviewed in Closed Session. He stated that it's his opinion that Turner's aversion to AMP Ohio has already determined his decision towards this project so he feels delaying this decision is unnecessary. Lawson, Martin, Bowles and Woods voted in favor to approve the project concept and authorize staff to execute the documents related to the project; Turner voted against the motion.

Consider approval on first reading of an ordinance authorizing the issuance of up to \$2,500,000 principal amount of water and sewer revenue bonds related to the financing of the Reservoir spillway repair project – City Manager Towarnicki summarized the need for the ordinance, which is a required element for issuance of the bonds. Council Member Bowles made the motion to approve the ordinance on first reading. Vice Mayor Martin seconded the motion with the following roll call vote: Council Member Bowles, aye; Council Member Turner, aye; Vice Mayor Martin, aye; Council Member Woods, aye; and Mayor Lawson, aye.

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CITY OF MARTINSVILLE, VIRGINIA

AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$2,500,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF

Adopted on _____, 2020 (July 14, 2020 - first reading)

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 Definitions

Unless the context shall clearly indicate some other meaning, the following words and terms shall for all purposes of the Ordinance and of any certificate, resolution or other instrument amendatory thereof or supplemental thereto for all purposes of any opinion or instrument or other documents therein or herein mentioned, have the following meanings:

"Act" shall mean the Public Finance Act, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended.

"Bond" or "Bonds" shall mean the City's Water and Sewer Revenue Bond, Series 2020, in the aggregate principal amount of up to \$2,500,000, authorized to be issued hereunder.

"Bond Counsel" shall mean Sands Anderson PC or another attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City.

"City" shall mean the City of Martinsville, Virginia.

"City Charter" shall mean the City Charter of the City of Martinsville, Virginia, as amended.

"Clerk" shall mean the Clerk of the Council or the Deputy Clerk of the Council.

"Commitment Letter" shall mean the commitment letter from VRA to the City dated June 24, 2020, and all extensions and amendments thereto.

"Commonwealth" shall mean the Commonwealth of Virginia.

"Council" shall mean the City Council of the City of Martinsville.

"Financing Agreement" shall mean the Financing Agreement between VRA and the City in the maximum principal amount of [\$2,210,290] related to issuance of the Bond for the financing of the Project.

"Fund" shall mean the Virginia Water Facilities Revolving Fund.

"Funding Agreement" shall mean the Funding Agreement for principal forgiveness between VRA and the City in the maximum principal amount of [\$289,710].

"Mayor" shall mean the Mayor or Vice Mayor of the City.

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"Paying Agent" shall mean the City Treasurer acting as Paying Agent for the Bond hereunder or the successors or assigns serving as such hereunder.

"Project" shall mean specifically the acquisition, construction, renovation and equipping of repairs, replacements, and capital improvements at the City's Beaver Creek Reservoir Dam as a wastewater treatment facility, including repairs and renovations to the Dam's spillway, to assist in preventing excessive inflow and infiltration in the City's wastewater collection facilities and wastewater treatment system, all for the City's municipal purposes.

"Registrar" shall mean the Paying Agent, or the successors or assigns serving as such hereunder.

"System" shall mean the City's water and sewer system.

"VRA" shall mean the Virginia Resources Authority, as administrator of the Fund.

Section 2 Findings and Determinations

The Council hereby finds and determines that (i) the City is authorized to acquire, construct, operate and maintain water and sewer systems in the City (together, the "System"), which System is a revenue producing undertaking of the City (ii) the City is in need of funds to be used for the purposes of financing capital improvements, specifically the acquisition, construction, renovation and equipping of the Project, including payment of costs of issuance of the Bond; (iii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iv) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of a water and sewer revenue bond, Series 2020, in an aggregate original principal amount not to exceed \$2,500,000 to be issued by the City as further described herein to be sold to VRA as administrator of the Fund, which has offered to purchase the same on certain terms and conditions pursuant to a commitment letter dated as of June 24, 2020, and the Financing Agreement and Funding Agreement (each as defined herein); (v) the issuance of the Bond is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; (vi) the Project constitutes capital improvements to a wastewater treatment facility, including collection, treatment, disposal and drainage system improvements to assist in preventing excessive inflow and infiltration in the City's wastewater collection facilities and wastewater treatment system, within the meaning of the term "Project" as defined in Section 62.1-224 of Title 15.2, Chapter 51, Section 62.1-224, of the Code of Virginia, 1950, as amended (the "Virginia Code"); (vii) the Council desires to issue the Bond under the provisions of the Act and the City Charter, and a duly advertised and conducted public hearing has been held with respect to the Bond on July 28, 2020 and, (viii) the issuance of the Bond is in the best interests of the City and its citizens. The maximum length of time that the Bond will be outstanding is thirty years from the date of issuance of the Bond. The

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Council further hereby finds and determines that the probable useful life of the Project financed by the Bond is thirty years and that the Bond is payable and shall mature within the probable useful life of the Project.

Section 3 Authorization, Form and Details of the Bond

The Project, which shall constitute a part of the System, is hereby approved and the City is authorized to issue the Bond pursuant to the City Charter and under the Act. The Bond shall mature no later than thirty (30) years from the date of their issuance and the Bond shall bear a Cost of Funds on the disbursed and unpaid principal balance from the date of each disbursement until payment of the entire principal sum at the rate of one-half of one percent (0.50%) per annum as set forth in the Commitment Letter. The Bond shall be issued in fully registered form, shall mature or be subject to mandatory sinking fund redemption on such dates and in such amounts as the City Manager or Assistant City Manager may approve and shall be subject to such optional and other redemption provisions as the City Manager or Assistant City Manager may approve. The proceeds from the sale of the Bond shall be used to finance the Project.

The Bond shall be issued to VRA, as administrator of the Fund, pursuant to the terms, conditions and provisions of this Ordinance and upon such other terms as may be determined in the manner set forth in this Ordinance. The issuance and sale of the Bond in one or more series from time to time in accordance with this Ordinance is authorized. The Bond shall be in substantially the form herein, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance and by the VRA.

The Bond shall be executed, for and on behalf of the City, by the Mayor or the Vice-Mayor of the City, either of whom may act, and shall have the corporate seal of the City impressed thereon, attested by the Clerk or Deputy Clerk of the City. The manner of execution and affixation of the seal may be by facsimile, provided, however that if the signatures of the Mayor or Vice Mayor are by facsimile, the Bond shall not be valid until signed by the manual signature of the Clerk or Deputy Clerk. The Bond shall be in substantially the form herein, with such variations, insertions or deletions as may be approved by the officer executing the Bond on the City's behalf. The City Treasurer is hereby appointed as the Registrar for the Bond.

ISSUE DATE: "FORM OF BOND" _____, 2020

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
\$ _____
Water and Sewer Revenue Bond, Series 2020

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THE CITY OF MARTINSVILLE (the "Borrower"), a public body politic and corporate of the Commonwealth of Virginia, acknowledges itself indebted and for value received, hereby promises to pay, solely from the revenues and other property hereinafter described and pledged to the payment of this Bond, to the order of Virginia Resources Authority (VRA), as Administrator of the Virginia Water Facilities Revolving Fund (the "Fund"), Richmond, Virginia, or registered assigns or legal representatives, the sum equal to the amount of principal advances made hereunder but not to exceed _____ and 00/100 Dollars (\$_____.00), with interest, including the part thereof allocable to the Annual Administrative Fee (the "Cost of Funds") on the disbursed and unpaid principal balance from the date of each disbursement until payment of the entire principal sum at the rate of one-half of one percent (0.50%) per annum, consisting of (i) interest of thirty one-hundredths percent (0.30%) per annum payable for the benefit of the Fund, and (ii) twenty one-hundredths percent (0.20%) per annum payable as an annual Administrative Fee.

The Cost of Funds only on all amounts disbursed under this Bond shall be due and payable on _____ 1, 20____. Commencing on _____ 1, 20____, and continuing semi-annually thereafter on _____ 1 and _____ 1 in each year, principal and Cost of Funds due under this Bond shall be due and payable in equal installments of \$_____, with a final installment of \$_____ due and payable on _____ 1, 20____, when, if not sooner paid, all amounts due hereunder shall be due and payable in full provided, however, that if principal advances up to the maximum authorized amount are not made, the principal amount due on this Bond shall not include such undistributed amount. However, unless the Borrower and VRA agree otherwise in writing, until all amounts due hereunder shall have been paid in full, less than the full disbursement of the maximum authorized amount hereunder shall not postpone the due date of any semi-annual installment due hereon, or change the amount of such installment.

In addition, if any installment of principal or Cost of Funds is not received by the holder of this Bond within ten (10) days from its due date, the Borrower shall pay into the Fund, a late payment charge in an amount equal to five percent (5.0%) of such overdue installment. Principal is payable in lawful money of the United States.

No notation is required to be made on this Bond of the payment of any principal on normal installment dates. HENCE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING.

THIS BOND IS A LIMITED OBLIGATION OF THE BORROWER AND IS PAYABLE SOLELY FROM CERTAIN REVENUES TO BE DERIVED FROM THE OWNERSHIP OR OPERATION OF THE BORROWER'S WATER AND WASTEWATER SYSTEM AS THE SAME MAY FROM TIME TO TIME EXIST, WHICH REVENUES HAVE BEEN PLEDGED PURSUANT TO THE FINANCING AGREEMENT (HEREINAFTER DEFINED) TO SECURE THE PAYMENT THEREOF. NEITHER THE

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COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE BORROWER, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR COST OF FUNDS ON THIS BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE BORROWER IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR COST OF FUNDS ON THIS BOND OR OTHER COSTS INCIDENT THERETO.

This Bond is issued pursuant to the terms of the Financing Agreement between the Borrower and VRA dated as of August 1, 2020 (the "Financing Agreement") to evidence a loan by VRA to the Borrower to finance the Project Costs (as defined in the Financing Agreement). The obligations of the Borrower under this Bond and the Financing Agreement shall terminate when all amounts due and to become due pursuant to this Bond and Financing Agreement have been paid in full. Reference is hereby made to the Financing Agreement and any amendments thereto for the definitions and provisions, among others, describing the pledge and covenants securing this Bond, the nature and extent of the security, the terms and conditions upon which this Bond is issued, and the rights and obligations of the Borrower and the holders of this Bond.

The pledge of Revenues, as defined in the Financing Agreement, toward payment of the Bond in accordance with the terms of the Financing Agreement shall be on parity with the pledge of Revenues securing the Existing Parity Bonds, if any, as defined in the Financing Agreement and set forth on Exhibit F thereto. The Borrower may incur additional indebtedness secured by a pledge of the Revenues pursuant to the terms of the Financing Agreement.

Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and the exercise of all other rights and powers of the owner.

This Bond is subject to optional prepayment to the extent and on the terms set forth in the Financing Agreement.

If an Event of Default (as defined in the Financing Agreement) occurs, the principal of and Cost of Funds on this Bond may be declared immediately due and payable by the holder by written notice to the Borrower.

Notwithstanding anything in this Bond to the contrary, in addition to the payments of the principal and Cost of Funds provided by this Bond, the Borrower shall also pay such additional amounts, if any, which may be necessary to provide for payment in full of all amounts due under the Financing Agreement.

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All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed.

IN WITNESS WHEREOF, the Borrower has caused this Bond to be signed by its Mayor or Vice-Mayor, to be attested by the Clerk of the City Council, its seal to be affixed hereto and to be dated as of _____, 2020.

CITY OF MARTINSVILLE, VIRGINIA

SEAL

By: _____
Name: _____
Title: Mayor

ATTEST:

Clerk of the City Council

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ whose address for registration purposes is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Tax I.D. No. _____
Transferee: _____

Signature Guaranteed

(NOTE: the signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.)

6

SCHEDULE OF PRINCIPAL ADVANCES

The amount and date of principal advances not to exceed the face amount hereof shall be entered hereon by an authorized representative of the Virginia Resources Authority, as Administrator of the Fund, when the proceeds of each such advance are delivered to the Borrower.

Amount	Date	Authorized Signatures
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July 14, 2020

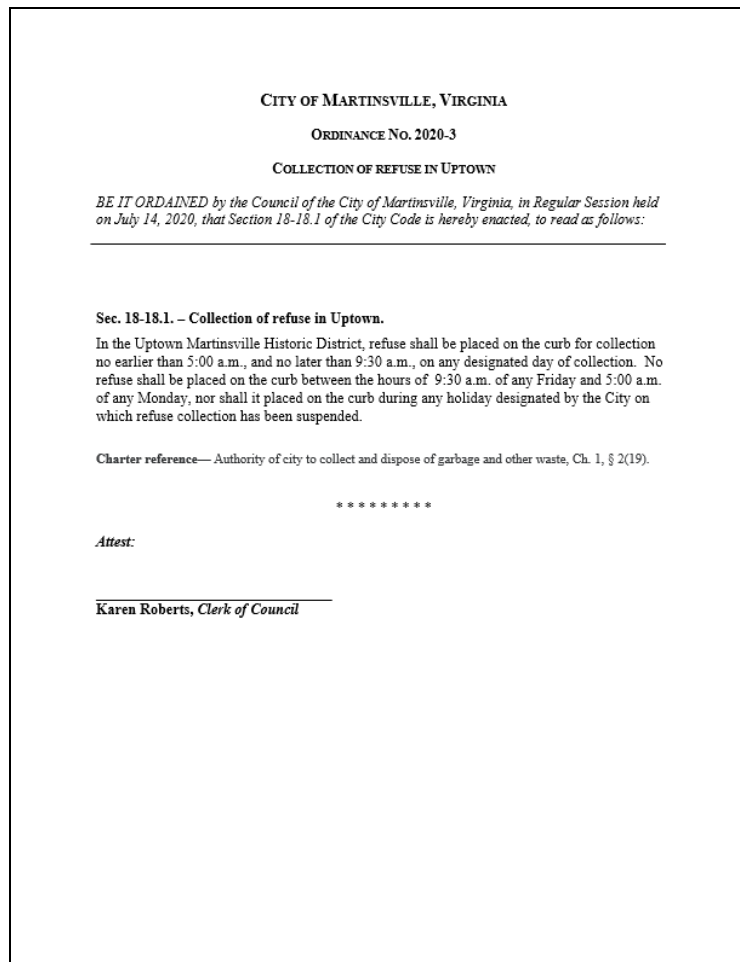
<p>If any Bond has been mutilated, lost, stolen, or destroyed, the City shall execute and deliver a new Bond of like date and tenor in exchange and substitution for, and upon delivery to the Registrar and cancellation of, such mutilated Bond, or in lieu of and in substitution for such lost, stolen, or destroyed Bond; provided, however, that the City shall execute, authenticate, and deliver a new Bond only if its registered owner has paid the reasonable expenses and charges of the City in connection therewith and, in the case of a lost, stolen, or destroyed Bond (i) has filed with the Registrar evidence satisfactory to him or her that such Bond was lost, stolen, or destroyed and that the holder of the Bond was its registered owner and (ii) has furnished to the City indemnity satisfactory to the Registrar. If the Bond has matured, instead of issuing a new Bond, the City may pay the Bond without surrender upon receipt of the aforesaid evidence and indemnity.</p> <p>Section 4 <u>Pledge of Water and Sewer Revenues</u></p> <p>The Bond shall be a limited obligation of the City and, except to the extent payable from the proceeds of the sale of the Bond or the income, if any, derived from the investment thereof, is payable exclusively from the Revenues (as defined in the Financing Agreement) of the City's System which the City hereby pledges to the payment of the Bond pursuant to the terms of the Financing Agreement. The pledge of the Revenues securing the Bond shall be on parity with any Parity Bonds (as defined in the Financing Agreement) secured by such Revenues.</p> <p>Section 5 <u>Application of Proceeds: Sale of Bond</u></p> <p>Proceeds derived from the sale of the Bond together with other monies available therefor shall be used to pay the costs of issuance and for the purposes specified in Section 2 of this Ordinance and otherwise used in accordance with the provisions of this Ordinance or an opinion of Bond Counsel.</p> <p>Section 6 <u>Further Actions Authorized: Approval of Documents</u></p> <p>The Financing Agreement and the Funding Agreement will be in substantially the forms presented to and filed with the minutes of the meeting of this City Council at which this Ordinance is being adopted. The forms of the Financing Agreement and the Funding Agreement, and the terms, conditions and provisions thereof, are hereby approved by this City Council, and the Mayor, or City Manager, any of whom may act, are hereby authorized and directed to execute and deliver to the VRA the Financing Agreement and the Funding Agreement in substantially such forms, with such changes and amendments as the officer executing the same shall approve or as shall be necessary to satisfy VRA requirements, such approval to be conclusively evidenced by his execution and delivery thereof.</p> <p style="text-align: center;">8</p>	<p>The Mayor, City Manager, City Finance Director, City Treasurer, City Clerk, bond counsel for the City and all other appropriate officers and employees of the City shall take all actions and execute all certificates, documents and agreements as shall be necessary to carry out the provisions of this Ordinance.</p> <p>All other actions of City officials in conformity with the purposes and intent of this Ordinance and in furtherance of the issuance and sale of the Bond as authorized herein are ratified, approved and confirmed. City officials are authorized and directed to execute and deliver all certificates and other instruments considered necessary or desirable in connection with the issuance, sale and delivery of the Bond pursuant to this Ordinance, the Financing Agreement and the Funding Agreement and to do all acts and things necessary or convenient to carry out the terms and provisions of such documents.</p> <p>All ordinances, resolutions and proceedings in conflict herewith are, to the extent of such conflict, repealed. This Ordinance shall constitute the "Local Resolution" as such term is defined in Section 1.1 of the Financing Agreement.</p> <p>Section 7 <u>Invalidity of Sections</u></p> <p>If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.</p> <p>Section 8 <u>Headings of Sections, Table of Contents</u></p> <p>The headings of the sections of this Ordinance and the Table of Contents appended hereto or to copies hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.</p> <p>Section 9 <u>Effectiveness and Filing of Ordinance</u></p> <p>This Ordinance was presented to the Council and a public hearing concerning this Ordinance was held in accordance with applicable law by the Council at its meeting on July 28, 2020. The Council hereby declares that this Ordinance shall become effective upon its passage as provided for in the Act and pursuant to Section 3 of Chapter 3 of the City Charter. A certified copy of this Ordinance shall be filed by the Clerk with the Clerk of the Circuit Court of the City of Martinsville, Virginia. The filing of this Ordinance with the Clerk of the Circuit Court of the City of Martinsville, Virginia shall be deemed to be the filing of an initial resolution or ordinance with such Court for all purposes of the Act.</p> <p style="text-align: center;">9</p>																												
<p>The Members of the Council voted as follows:</p> <table><tr><td><u>Ayes</u></td><td><u>Nays</u></td></tr><tr><td> </td><td> </td></tr><tr><td><u>Absent</u></td><td><u>Abstentions</u></td></tr><tr><td> </td><td> </td></tr></table> <p>Adopted this ____ day of July, 2020.</p> <p>The undersigned Clerk of the City Council of the City of Martinsville, Virginia hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on July 28, 2020, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly called meeting and that, during the consideration of the foregoing ordinance, a quorum was present.</p> <p>Dated this ____ day of _____, 2020.</p> <p style="text-align: center;">_____ Clerk, City Council of City of Martinsville, Virginia</p> <p style="text-align: center;">10</p>	<u>Ayes</u>	<u>Nays</u>			<u>Absent</u>	<u>Abstentions</u>			<p style="text-align: center;">TABLE OF CONTENTS</p> <table><tr><td></td><td style="text-align: right;">Page</td></tr><tr><td>Section 1 <u>Definitions</u></td><td style="text-align: right;">1</td></tr><tr><td>Section 2 <u>Findings and Determinations</u></td><td style="text-align: right;">2</td></tr><tr><td>Section 3 <u>Authorization, Form and Details of the Bond</u></td><td style="text-align: right;">3</td></tr><tr><td>Section 4 <u>Pledge of Water and Sewer Revenues</u></td><td style="text-align: right;">8</td></tr><tr><td>Section 5 <u>Application of Proceeds: Sale of Bond</u></td><td style="text-align: right;">8</td></tr><tr><td>Section 6 <u>Further Actions Authorized: Approval of Documents</u></td><td style="text-align: right;">8</td></tr><tr><td>Section 7 <u>Invalidity of Sections</u></td><td style="text-align: right;">9</td></tr><tr><td>Section 8 <u>Headings of Sections, Table of Contents</u></td><td style="text-align: right;">9</td></tr><tr><td>Section 9 <u>Effectiveness and Filing of Ordinance</u></td><td style="text-align: right;">9</td></tr></table>		Page	Section 1 <u>Definitions</u>	1	Section 2 <u>Findings and Determinations</u>	2	Section 3 <u>Authorization, Form and Details of the Bond</u>	3	Section 4 <u>Pledge of Water and Sewer Revenues</u>	8	Section 5 <u>Application of Proceeds: Sale of Bond</u>	8	Section 6 <u>Further Actions Authorized: Approval of Documents</u>	8	Section 7 <u>Invalidity of Sections</u>	9	Section 8 <u>Headings of Sections, Table of Contents</u>	9	Section 9 <u>Effectiveness and Filing of Ordinance</u>	9
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Consider adoption of Ordinance 2020-3 concerning Uptown refuse collection – City

Attorney Monday explained the continued issue of uptown property owners putting their trash out. Vice Mayor Martin asked for confirmation that the local businesses were made aware of this ordinance prior to tonight's approval. Council Member Bowles made a motion to adopt Ordinance 2020-3 as presented. Vice Mayor Martin seconded the motion with the following

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roll call vote: Council Member Woods, aye; Council Member Turner, aye; Mayor Lawson, aye; Vice Mayor Martin, aye; and Council Member Bowles, aye.



Consider approval of consent agenda – Mayor Lawson pointed out that the consent agenda had been revised and a second item had been added. Council Member Bowles made a motion to approve Item #1 of the Consent Agenda as presented. Council Member Turner seconded the motion with all Council Members voting in favor. Item #2 is related to funds requested by the schools; Mayor Lawson explained that the schools have the funds available for the cooling tower. Conover explained the money was set aside by Council a year ago. All Council voted in favor. Council Member Turner made the motion to approve the school’s request. Council Member Bowles seconded the motion with all council members voting in favor.

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BUDGET ADDITIONS FOR 7/14/20				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
BUDGET ADDITIONS				
FY2020				
General Fund:				
01101917	442810	Categorical Other State - Highway Projects		367,399
01420152	508220	VDOT Reserve - Physical Plant Expansion	367,399	
		State highway project funds		
01100909	490137	Recovered Cost - Public Safety		1,680
01217078	501200	Sheriff - Courts - Overtime	1,560	
01217078	502100	Sheriff - Courts - Social Security	97	
01217078	502110	Sheriff - Courts - Medicare	23	
		Various reimbursements for security patrols		
01101918	443409	Grants-State - DHCD Virtual Training Grant		2,000
01341135	506104	Inspections - Non-capital equipment	1,558	
01341135	506012	Inspections - Books & Subscriptions	442	
		State Grant for Inspections Dept.		
Total General Fund:			371,079	371,079

Business from the Floor – an email was received from Ural Harris – “I request that this be read during the comments from the floor. I ask that all contracts concerning the solar project the city is considering entering into be made public and published in the Martinsville Bulletin along with the cost of the transmission line to connect it to the city's grid. The reason for this is that last time the city made a horrible mistake and we are now paying more for power that we would be from Appalachian. Also, I ask that the public be allowed to comment on this (decision). I am opposed to this project if the power costs more that we can buy on the open market. Thank you. Ural Harris”

Comments by City Council – Council Member Turner shared that John McCain was honored at the July 4 ceremony. Turner will have a flag available for an individual or nonprofit. Council Member Turner asked residents to pray for Congressman Griffith who has been diagnosed with COVID 19. Vice Mayor Martin encouraged residents to complete the 2020 Census. Martin thanked City Attorney Monday for backing Council Member Bowles in a recent situation. Council Member Woods invited residents to watch Zach McPeak on a live stream on YouTube called Cancel Me Please on Thursday at 7pm. Woods was in a live stream recently that was very well attended. Woods received an email from Heidi Pinkston from the Piedmont Arts Association and shared that Council Member Bowles would be dancing for the arts on April 21, 2021. This fundraiser provides money for the arts but also the education of children and the importance of the arts in and our community. Woods echoed Mr. Martin, thanking City Attorney Monday and made a motion to endorse the letter that was written on behalf of Council Member Bowles by Monday. Woods supports Bowles and Monday, stating that it is unconscionable to defame a person's character, especially as a member of City Council and a servant leader such as Bowles. Vice Mayor Martin seconded the motion. Council Member Turner stated that this is completely off bounds and should not happen. This was a discussion in question was between a local businessman and Bowles. The City Attorney has absolutely no business getting involved. Turner said he would not agree with it,

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it should not happen and Council should be ashamed for giving endorsement to it. Woods agreed if the person in question had referred to her as Ms. Bowles then he would be attacking her as an individual, but when he referred to her with the title of Council Member then it became incumbent upon the Attorney of Council to then say "this is unacceptable". Turner stated that Council Member Bowles has a vote on City Attorney Monday's contract not only as the City Attorney but also potentially as the City Manager in the future and that is a conflict of interest. This is a road we should not be going down and Turner is surprised that Council would bring this up in a Council meeting. Mayor Lawson stated that there was a motion and a second and asked if there was any further discussion. Lawson, Woods, Martin and Bowles voted in favor of the motion to endorse the letter. Turner voted against the motion. Lawson stated that when a person who serves on Council is referred to as Council Member and not as an individual, she does not see a conflict when Council's Attorney prepares a document on behalf of that Council Member. Council Member Bowles thanked Woods, Martin and Lawson for their support. This became more than a personal matter when he threatened Bowles with retaliation, saying if she didn't do this certain thing, then he was going to say "this" about her since she is a Council Member. He said he would contact the TV and news stations and tell them that Bowles does not support him because of whatever reason. Bowles would not divulge any further details of the conversation but stated that the allegations against her were false. Council Members have different opinions on who they support. After Bowles had a conversation with the Mayor and the City Attorney about this confrontation, the individual continued by posting malicious attacks on social media and a 28-minute video against Bowles. Mayor Lawson reminded everyone that the Farmers Market is open on Wednesdays and Saturdays but produce gets gone quick so she advised residents to shop early. The Mustangs are doing fabulous and games start at 7:00pm.

Comments by the City Manager – City Manager Towarnicki shared that City bridges are inspected annually with inspections reported to VDOT. The Commonwealth Boulevard Bridge has continued to deteriorate over the years with multiple patches requiring a necessary bridge repair at a significantly lesser cost than a total bridge replacement. Towarnicki briefly touched on the CARES funding with \$250,000 set aside to help local small businesses. As of today, there have been 79 applications received and \$231,410 awarded to 61 businesses. If the \$250,000 runs out then the City could possibly allocate additional funds to local small businesses. All public restrooms in City Hall are getting touchless faucets and laptops have been purchased so staff can work from home if needed. Towarnicki invited small business owners to contact his office or reach out to Council Members or staff if they need assistance completing the application. The Committee is being very generous awarding the funds as needed. Towarnicki stated that \$15,000 would be allocated to Grace Network to assist

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residents in need of utilities or rental assistance. Turner asked that the link to contact the Governor's office about rental assistance be added to the City website.

City Attorney Monday stated that the Commissioner of Revenue Ruth Easley had been incredibly helpful working with the CARES Committee. The most recent Virginia Living Magazine features an article about Martinsville being the "small and mighty Martinsville for a weekend visit" and how the City has reinvented itself over the past 20 years. There is also an article on barbeque featuring our local Checkered Pig restaurant. Best of Virginia's annual issue includes a large number of First Place awards for Martinsville as a small community in Southwest Virginia.

There being no further business, Council Member Bowles made a motion to adjourn the meeting; the motion was seconded by Council Member Woods with all Council Members voting in favor. The meeting adjourned at 9:10pm

Karen Roberts
Clerk of Council

Kathy Lawson
Mayor